

AR48

AUGUSTUS EXPLORATION
L I M I T E D
ANNUAL REPORT

1965

AUGUSTUS EXPLORATION LIMITED

HEAD OFFICE

Suite 1600 - 100 Adelaide Street West, Toronto 1, Ontario

OFFICERS

ASHTON W. JOHNSTON - - - - - *President*

H. BRODIE HICKS - - - - - *Managing Director*

W. CLARKE CAMPBELL - - - - - *Vice-President*

LESLIE E. WETMORE - - - - - *Secretary-Treasurer*

JOHN A. KING - - - - - *Assistant Secretary-Treasurer*

DIRECTORS

ASHTON W. JOHNSTON

H. BRODIE HICKS

W. CLARKE CAMPBELL

LESLIE E. WETMORE

ARCHIBALD B. WHITELAW

DANIEL L. MARCUS

GEORGE PERLEY-ROBERTSON

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA
Toronto, Montreal, Calgary and Vancouver

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON
Toronto, Ontario.

ELEVENTH ANNUAL MEETING

Royal York Hotel
Toronto, Ontario, 2:30 p.m., February 16, 1966

AUGUSTUS EXPLORATION LIMITED

January 17, 1966

DIRECTORS' REPORT

To the Shareholders:

We present herewith the eleventh annual report, including the financial statements duly reported upon by the auditors.

Net current assets totalled \$183,578 at year-end and the quoted market value of shares in other companies amounted to \$2,200,340.

The Canadian Faraday Corporation Limited is the major source of your Company's dividend revenue. Canadian Faraday has changed its dividend policy and instead of paying an annual dividend of 25¢ early in January in each year, has now declared two dividends of 12½¢ each payable in January and July respectively. The July dividend, payable to shareholders of record June 30, 1966, cannot be shown on the enclosed financial statements as a dividend receivable and consequently the consolidated statement of income shows a loss for the year of \$7,498.

As has been the case for the past several years, the chief asset of Augustus continues to be its controlling interest in The Canadian Faraday Corporation Limited. In turn, Faraday holds an approximate 85% interest in Metal Mines Limited and is a substantial shareholder of Western Mines Limited whose high-grade precious and base metals property on Vancouver Island will be placed in production about the middle of 1966.

Metal Mines carries on a diversified production and exploration program. Its nickel/copper mine, at Gordon Lake, Ontario, operated profitably throughout the year at an average rate of 600 tons per day, while underground development successfully outlined new ore sources. The uranium mine at Bancroft, Ontario, remained closed throughout the year due to a lack of markets for its product, but the improving world outlook for uranium oxide gives reason to hope for a resumption of operations in the foreseeable future. Metal Mines operates and has a substantial interest in two other production situations Johnsby Mines Limited, a 40-ton per day silver/lead/zinc producer at Silverton, British Columbia, and Red Mountain Mines Limited, whose 400-ton per day molybdenite mill near Rossland, British Columbia, will commence production in the Spring of 1966.

In the exploration field, Metal Mines has a widely diversified program. Over the past year the most important interest has been in Prairie Potash Mines Limited, which is drilling a potash deposit in southwestern Manitoba with encouraging results.

On its own behalf, Augustus continued a stepped up exploration program. Expenditures during the year for property acquisitions, examinations and exploration were \$76,278, an increase of \$27,000 over similar outlays in 1964. Examinations were carried out in Quebec, Saskatchewan, Yukon Territory, British Columbia, Idaho and Zambia. A diamond drilling program was completed on the Company's claims in Joutel Township, Quebec, with negative results; and an extensive geophysical survey performed on a 33-claim group in northern Saskatchewan with results sufficiently encouraging to warrant further work.

On Behalf of the Board

A. W. Johnston

President

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY N M C SECURITIES LIMITED

Both incorporated under the laws of Ontario

(Note 1)

ASSETS

Current assets:

Cash	19,184	
Short-term bank deposits	90,000	
Dividends receivable	67,816	
Accounts receivable	24,672	
Prepaid expenses	2,506	204,178

Interest in mining and exploration companies and mining properties:

Shares in mining and exploration companies, valued not in excess of cost (quoted market value \$2,200,340) (notes 1 and 2)	2,937,295	
Mining claims and interests (note 3)	695,082	3,632,377

Fixed assets:

Land, buildings and equipment, at cost	59,453	
Less Accumulated depreciation	53,707	5,746
		<u>\$3,842,301</u>

The accompanying notes are

AUDIT

To the Shareholders of
Augustus Exploration Limited:

We have examined the consolidated balance sheet of Augustus Exploration Limited and deficit for the year ended on that date. Our examination included a general review of considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated Exploration Limited and its wholly owned subsidiary as at December 31, 1965 and the re accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 7, 1966.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1965

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses 20,600

SHAREHOLDERS' EQUITY

Capital stock (note 4):

Authorized, 10,000,000 shares of \$1.00 par value each

Issued, 4,454,811 shares 4,454,811

Less Discount thereon 66,667

4,388,144

Deficit 566,443 3,821,701

Approved on behalf of the Board:

A. W. JOHNSTON, Director.

L. E. WETMORE, Director.

\$3,842,301

integral part of this statement.

REPORT

ally owned subsidiary as at December 31, 1965 and the consolidated statements of income and
counting procedures and such tests of accounting records and other supporting evidence as we

ements of income and deficit present fairly the combined financial position of Augustus
their combined operations for the year ended on that date, in accordance with generally

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY
NMC SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 1965

1. Subsidiaries not consolidated:

The following subsidiaries, because of their inactivity, are not included in this consolidation:

Greenoaks Mines Limited
Ligneris Goldfields Limited

The total book value of shares of subsidiaries not consolidated is \$36,500. There is no quoted market value for these shares as at December 31, 1965.

2. Shares in mining and exploration companies:

In some instances large blocks of shares are held and quoted market values are not necessarily indicative of amounts that might be realized if the shares were to be sold.

Included in the quoted market value is \$132,296 representing escrowed shares which have been valued at 50% of the quoted market price of free shares.

3. Mining claims and interests:

The accounting treatment of mining claims and interests is as follows:

- (a) Profits and losses on disposals of claims are carried directly to the deficit account.
- (b) Where a group of claims is disposed of other than en bloc, the entire proceeds of disposals are credited against cost of the group. No adjustment is made for profit or loss until the entire group is disposed of or proceeds of the sale of a portion of the group exceed the total cost of the group.

The stated value of mining claims and interests is determined as follows:

Balance at beginning of year		658,406
Add:		
Cost of claims staked	3,000	
Cost of claims acquired	5,000	
Expenditures	34,469	42,469
		<hr/>
		700,875
Deduct:		
Cost of claims abandoned	2,575	
Proceeds from sale of interest in certain claims	3,218	5,793
		<hr/>
Balance at end of year		<u>\$ 695,082</u>

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY
NMC SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (Continued)

YEAR ENDED DECEMBER 31, 1965

4. Capital stock:

During the year, the company reserved 216,000 shares of its capital stock under an incentive option plan for key personnel to be exercisable as follows:

- (1) The option price shall in no event be less than the current market price on the Canadian Stock Exchange and, in any event, not less than 50¢ per share.
- (2) Options shall be exercisable in whole or in part and from time to time but in any event not later than five years from the date of the grant of such option.

Options on 200,000 shares at 50¢ per share were granted under this plan, of which options on 133,334 shares were exercised and the said shares issued for \$66,667 cash, up to December 31, 1965.

5. Debentures:

The company has created an issue of convertible debentures in the principal amount of \$1,000,000 maturing September 30, 1975, and bearing interest at 6% per annum payable half yearly. The debentures will be secured by a first floating charge upon the undertaking and all the property and assets of the company. The debentures are convertible at par into shares of the common capital stock of the company until September 30, 1970, at the greater of the book value of said shares as determined by the auditors of the company or 50¢ per share.

No debentures have been issued as at December 31, 1965.

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY
NMC SECURITIES LIMITED

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1965

REVENUE:

Dividends earned	70,172	
Profit on securities	1,372	
Equipment rental	4,590	
Interest earned	3,357	
Profit on disposal of fixed assets	850	80,341

EXPENSES:

General exploration	33,809	
Administration	49,516	
Depreciation	3,860	
Advances to other companies written off	654	87,839

Loss for year		<u>\$ 7,498</u>
---------------------	--	-----------------

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1965

Deficit at beginning of year	556,370
------------------------------------	---------

Add:

Cost of mining claims abandoned	2,575	
Loss for year	7,498	10,073

Deficit at end of year	<u>\$ 566,443</u>
------------------------------	-------------------

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY
NMC SECURITIES LIMITED

SHARES IN MINING AND EXPLORATION COMPANIES

DECEMBER 31, 1965

	Total Number of shares	Book value	Free Shares Number of free shares	Quoted market value	Escrowed Shares Number of escrowed shares	Value at 50% of quoted market value
Listed shares:						
Bateman Bay Mining Company	608,268	38,177	608,268	33,455	—	—
Cadamet Mines Limited	50,000	6,930	50,000	4,750	—	—
Copper Ridge Mines Limited	66,667	50,000	66,667	33,333	—	—
Hydra Explorations Limited	1,458,035	375,648	713,188	174,731	744,847	91,244
Louvencourt Goldfields Corporation	10,000	3,350	10,000	3,350	—	—
Massval Mines Limited	1,072,448	119,358	381,409	38,141	691,039	34,552
Metal Mines Limited	2,715	3,860	2,715	4,425	—	—
Nickel Rim Mines Limited	103,000	678	3,000	390	100,000	6,500
The Canadian Faraday Corporation Limited	545,722	2,218,250	545,722	1,773,597	—	—
		2,816,251		2,066,172		132,296
Unlisted shares		121,044		1,872		
		<u>\$2,937,295</u>		<u>\$2,068,044</u>		<u>\$ 132,296</u>
Total quoted market value				<u>\$2,200,340</u>		

